

MUNICIPALITY OF ANCHORAGE, ALASKA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2010

**Daniel A. Sullivan
Mayor**

**Prepared by:
Finance Department**

**Lucinda Mahoney
CFO**

**David Ryan, C.A.
Controller**

Cover photo courtesy of Gerni Yambao

MUNICIPALITY OF ANCHORAGE, ALASKA

Table of Contents

	Page(s)
Introductory Section:	
Letter of Transmittal	i - v
Certificate of Achievement for Excellence in Financial Reporting	vi
Organizational Chart	vii
Principal Officials	viii
Municipality of Anchorage Vicinity Map	ix
Financial Section:	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	18-19
Statement of Activities	20-21
Fund Financial Statements:	
Balance Sheet – Governmental Funds	22
Reconciliation of Net Assets between the Government-wide and Fund Financial Statements	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Net Assets – Proprietary Funds	26-29
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	30-31
Statement of Cash Flows – Proprietary Funds	32-35
Statement of Fiduciary Net Assets – Fiduciary Funds	36
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	37
Notes to Basic Financial Statements – Index	39
Notes to Basic Financial Statements	40-106
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund by Function	107
Notes to Required Supplementary Information – Budgetary Data	108-109
Required Supplementary Information – Condition Rating of Anchorage's Road Network	110
Required Supplementary Information – Other Post Employment Information Schedule Funding Progress	111
Supplementary Information:	
Budgetary Comparison Schedule – General Fund by Fund	114
Budgetary Comparison Schedule – General Fund by Department	115
Nonmajor Governmental Funds:	
Combining Balance Sheet	120-123
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	124-127
Budgetary Comparison Schedules:	
Heritage Land Bank	128
Convention Center Operating Reserve	129
Special Assessment Bonds	130

MUNICIPALITY OF ANCHORAGE, ALASKA

Table of Contents

	Page(s)
Retirement Certificate of Participation	131
Police/Fire Retiree Medical Liability	132
Jail Revenue Bond	133
ACPA Surcharge Revenue Bond	134
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	136
Combining Statement of Revenues, Expenses and Changes in Net Assets	137
Combining Statement of Cash Flows	138
Internal Service Funds:	
Combining Statement of Net Assets	140-141
Combining Statement of Revenues, Expenses and Changes in Net Assets	142-143
Combining Statement of Cash Flows	144-145
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets	148-149
Combining Statement of Changes in Fiduciary Net Assets	150-151
Statistical Section:	
Table 1. Net Assets By Component	155
Table 2. Change in Net Assets	156-157
Table 3. Charges for Services By Function/Program	158
Table 4. Fund Balances, Governmental Funds	159
Table 5. Changes in Fund Balance, Governmental Funds	160
Table 6. Debt Service as a Percentage of Noncapital Expenditures	161
Table 7. Tax Revenues by Source, Governmental Funds	162
Table 8. Use of Property Taxes	163
Table 9. Assessed Value and Estimated Actual Value of Taxable Property	164
Table 10. Property Tax Rates	165
Table 11. Principal Property Tax Payers	166
Table 12. Property Tax Levies and Collections	167
Table 13. Outstanding Debt By Type	168
Table 14. Ratio of General bonded Debt Outstanding	169
Table 15. Direct and Overlapping Debt	170
Table 16. Legal Debt Margin	171
Table 17. Pledged Revenue Coverage	172-174
Table 18. Demographic Statistics	175
Table 19. Principal Employers	176
Table 20. Full-Time Equivalent Employees	177
Table 21. Miscellaneous Statistical Data By Function	178-180

MUNICIPALITY OF ANCHORAGE



Mayor Dan Sullivan

May 25, 2011

Honorable Mayor, Members of the Assembly, and
Citizens of the Municipality of Anchorage:

The Comprehensive Annual Financial Report (CAFR) of the Municipality of Anchorage (Anchorage) for the year ended December 31, 2010, is hereby submitted in accordance with Anchorage Home Rule Charter and Anchorage Municipal Code. These laws require an annual report on financial and administrative activities with an independent audit of all municipal accounts by a certified public accountant. Mikunda, Cottrell & Co. performed the independent audit. Management is responsible for the accuracy, completeness and fairness of the presentation including all disclosures.

Accounting principles generally accepted in the United States of America require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Anchorage's MD&A can be found in the Financial Section of the CAFR immediately following the report of the independent auditors.

As a recipient of federal grant awards, Anchorage is required to undergo an audit in accordance with the provisions of the U.S. Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and associated *Compliance Supplement*. A schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in a separately issued audit in accordance with OMB Circular A-133.

As a recipient of State of Alaska (State) grant awards, Anchorage is also required to undergo an audit in accordance with the provisions of Alaska State Regulation 2 AAC 45.010 and *Audit Guide and Compliance Supplement for State Single Audits*. A State Financial Assistance Schedule, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be included in separately issued State Financial Assistance Reports.

Mikunda, Cottrell & Co. was retained to perform both the financial and the compliance audits of Federal and State financial assistance programs for the year ended December 31, 2010. These audits were performed in accordance with Federal and State regulations and *Government Auditing Standards*. Mikunda, Cottrell & Co. audited all 2010 financial records except for those of one component unit, Alaska Center for the Performing Arts, Inc., and the Police & Fire Retirement Pension Trust Funds. Mikunda, Cottrell & Co.'s reports are included in the financial section of the CAFR and in both financial assistance reports. The excluded component unit and pension trust fund was audited by certified public accountants who issued unqualified reports.

Government Profile

The City of Anchorage was originally incorporated in 1920 and unified with the Greater Anchorage Area Borough in 1975 to create the Municipality of Anchorage. Anchorage encompasses approximately 1,955 square miles.

Anchorage is operated under a strong mayoral system with an eleven member Assembly serving as the legislative branch. Leading the executive branch, the Mayor is responsible for appointing top executives and running the day to day governmental activities. The Assembly is responsible for approving ordinances, Municipal contracts, budgets, and certain appointments. A compilation of Municipal ordinances can be reviewed on-line in the Anchorage Municipal Code at www.muni.org.

Anchorage provides a full range of services, including police services, fire services, emergency medical services, health and human services, construction/maintenance of infrastructure, recreation activities, and public transportation services. Many of these services are provided on a service area basis with taxpayers residing in different property taxing districts paying for only those services they authorize and receive.

The Assembly and Administration are responsible for and committed to establishing and maintaining an internal control structure designed to provide reasonable assurance that Anchorage's assets are protected from loss, theft or misuse, and that adequate accounting records are maintained for preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefit likely to be derived and that valuation of costs and benefits requires the use of estimates and judgments.

The Assembly approves operating budgets and appropriations of direct costs at the department level, and revenues, direct costs and indirect costs at the fund level. During the year, the Assembly may approve supplemental appropriations to increase or decrease the budget, or to transfer all or part of any unencumbered balance from one appropriation to another. The Assembly by ordinance may authorize a contract, lease or other obligation requiring financing from future appropriations. A lease purchase agreement with respect to acquisition of a capital improvement valued in excess of \$1 million is not valid until approved by the voters. The Mayor may transfer all or part of an unencumbered balance between categories within an appropriation. No obligation involving the expenditure of money may be made unless the Chief Fiscal Officer has certified that the funds required have been appropriated and/or are available for that purpose.

The accounting records are maintained on a budgetary basis whereby encumbrances are recorded for budgetary control. However, year-end financial statements present actual amounts in conformity with accounting principles generally accepted in the United States of America which excludes encumbrances.

The financial reporting entity includes the following component units for which Anchorage is financially accountable - Anchorage School District (ASD), Alaska Center for the Performing Arts, Inc. (ACPA), CIVICVentures (CIVIC), and Anchorage Community Development Authority (ACDA). Additional information on all four of these component units can be found in the notes to the financial statements.

Anchorage owns and operates several utilities and other enterprise activities including electric, water, wastewater, refuse collection, solid waste disposal, port, and Municipal airport. Anchorage contracts out management of its sports arena, performing arts center, convention center, ice arenas, golf courses and equestrian center.

Additional information regarding Anchorage's government, services, current events, economic indicators and other statistics is located on its municipal web site at www.muni.org.

Major Initiatives

Port Expansion

The \$1 billion intermodal expansion project of the Port of Anchorage (Port) is underway. This is the first project of its kind, with the Federal Maritime Administration Agency (MARAD) overseeing the construction of the expansion project. As MARAD completes the construction of capital assets and turns them over to Anchorage during the next ten years, the assets will be recorded on the Port's financial statements.

Local Economy

The information presented in the financial statements is better understood when it is considered from the broader perspective of the specific environment within which Anchorage operates.

Anchorage has an approximate population of 291,826, a modest increase of 0.3% over prior year. As the largest city in Alaska, Anchorage is home to approximately 41% of the state's residents.

For 2010, the Anchorage School District had 48,570 students enrolled for the 2010-2011 academic year, a decrease of 1.6% from prior year. Anchorage is also home to the University of Alaska Anchorage, a State operated university, and Alaska Pacific University, a private independent university. They have combined enrollments in excess of 18,000 students.

Employment in Anchorage increased a modest 0.3% in 2010 after experiencing the first decline in 2009 in twenty years. The average unemployment rate in 2010 of 6.9% increased slightly from 6.6% in 2009 but was significantly better than the national average of 9.6%. Anchorage has several major sectors that drive the local economy, including oil/gas, construction, transportation, and tourism. These sectors, along with the supporting businesses that have developed around them have stabilized after experiencing a decline in 2009 due to the national economic slow-down. In the past few years, Anchorage has enjoyed the addition of new big box retailers and in June 2010 Regal Cinemas opened a new 72,000 square foot 16 theater complex with an IMAX screen located at the new Tikahtnu Commons development. Tikahtnu Commons has developed half of the one million square feet retail and entertainment space planned with the rest expected to occur over the next three years. Approximately 100 new jobs were added to the retail industry in 2010 and growth is expected to increase modestly over the next several years.

Despite increasing oil prices in 2010 employment in the oil and gas industry in Anchorage fell by 3.7% from the prior year. The outlook for 2011 anticipates no significant changes in employment in Anchorage.

Fort Richardson and Elmendorf Air Force Base completed a previously announced merger in October 2010 with no reductions in employment. The new base has been renamed Joint Base Elmendorf-Richardson (JBER). Kulis Air National Guard base was slated for closure and transferred to JBER in early 2011. Thousands of military personnel are employed at the new consolidated base and, along with their family members, aid the local economy by supporting local businesses.

The transportation sector consists of air cargo activity at the Ted Stevens Anchorage International Airport; in-state freight and passenger transportation by the State owned Alaska Railroad; and maritime transportation through the Municipal-owned Port. The Ted Stevens Anchorage International Airport continues to be one of the busiest cargo airports in the world and enjoyed an increase in cargo volumes of 29.3% after two consecutive years of declines and moved up one spot to become the fifth busiest

airport in the world for cargo traffic. Although down by \$0.5 million from 2009, the Alaska Railroad had another good year with \$13.4 million in earnings. The Port is ice free year round and is served by two major maritime carriers, Totem Ocean Trailer Express and Horizon Lines. With approximately 90% of all consumer goods arriving in Alaska through the port facilities, servicing 80% of the population of Alaska, the Port has begun construction of a \$1 billion intermodal expansion project involving road/rail extensions and marine terminal redevelopment. Improving cargo flow through expanded berth capacity, accommodating larger ships with deeper drafts, supporting new military rapid deployment requirements, and upgrading cruise ship facilities are the major objectives of this expansion project.

The tourism sector is a major economic driver for Anchorage offering a central location, available transportation infrastructure, and abundant recreational opportunities. In addition to Anchorage's regional sport fishing and tourism destinations, visitors often use Anchorage as the gateway to other Alaska destinations. After being impacted by the slowdown of the national and international economies, tourism activities picked up again in 2010 with hotel and motel tax revenues increasing by 10% to \$19.5 million. This sector lost 100 jobs in 2010 but is forecasted to increase by 200 due to improving consumer confidence as the economic picture brightens.

Long-term Financial Planning

Anchorage has no legal debt limit mandated by its Charter, Code or State law. Anchorage continues to maintain outstanding credit ratings on all outstanding debt. Current long-term Municipality general obligation bond ratings are AA by Standard and Poor's (S&P) and AA+ by Fitch Ratings (Fitch). These ratings were unchanged in 2010. The Anchorage Water Utility bond ratings are AA by S&P and AA by Fitch. The Anchorage Wastewater Utility bond ratings are AA Stable by S&P and AA Stable by Fitch. The Anchorage Municipal Light & Power Senior Lien and Junior Lien Electric revenue bond ratings are A+Stable by S&P and A+Stable by Fitch. Revenue bond covenants stipulating debt service coverage requirements were met in 2010.

Anchorage's percentage of net general obligation debt to assessed valuation and bonded debt per capita are useful indicators to citizens and investors of Anchorage's debt position. The percentage of net direct general obligation debt, exclusive of ASD debt, to assessed valuation was 1.55% as of December 31, 2010, and the net direct general obligation debt per capita was \$1,666. The respective amounts as of December 31, 2009 were 1.43% and \$1,543. When ASD debt is included, net direct general obligation debt to assessed value as of December 31, 2010 is 3.9% (3.9% in 2009) and the net direct general obligation debt per capita is \$4,213 (\$4,201 in 2009).

Awards and Acknowledgements

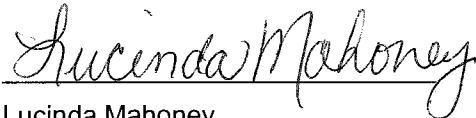
The Municipality of Anchorage and its employees are committed to the goal of making Anchorage a better place to live, work, and raise families.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Anchorage for its CAFR for the fiscal year ended December 31, 2009. This was the twenty-third consecutive year that Anchorage has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. Our 2009 report satisfied both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. It is believed that our current report continues to conform to the Certificate of Achievement program requirements. The CAFR will be submitted to GFOA to determine its eligibility for another certification.

The preparation of the CAFR was made possible by the dedicated efforts of the entire Controller Division staff. We express sincere appreciation to our employees for their contribution to this report whether it was in processing daily transactions or in report preparation. We also express our appreciation to all other individuals who assisted in this effort.

Respectfully submitted:



Lucinda Mahoney
CFO



David Ryan, C.A.
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Municipality of Anchorage
Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

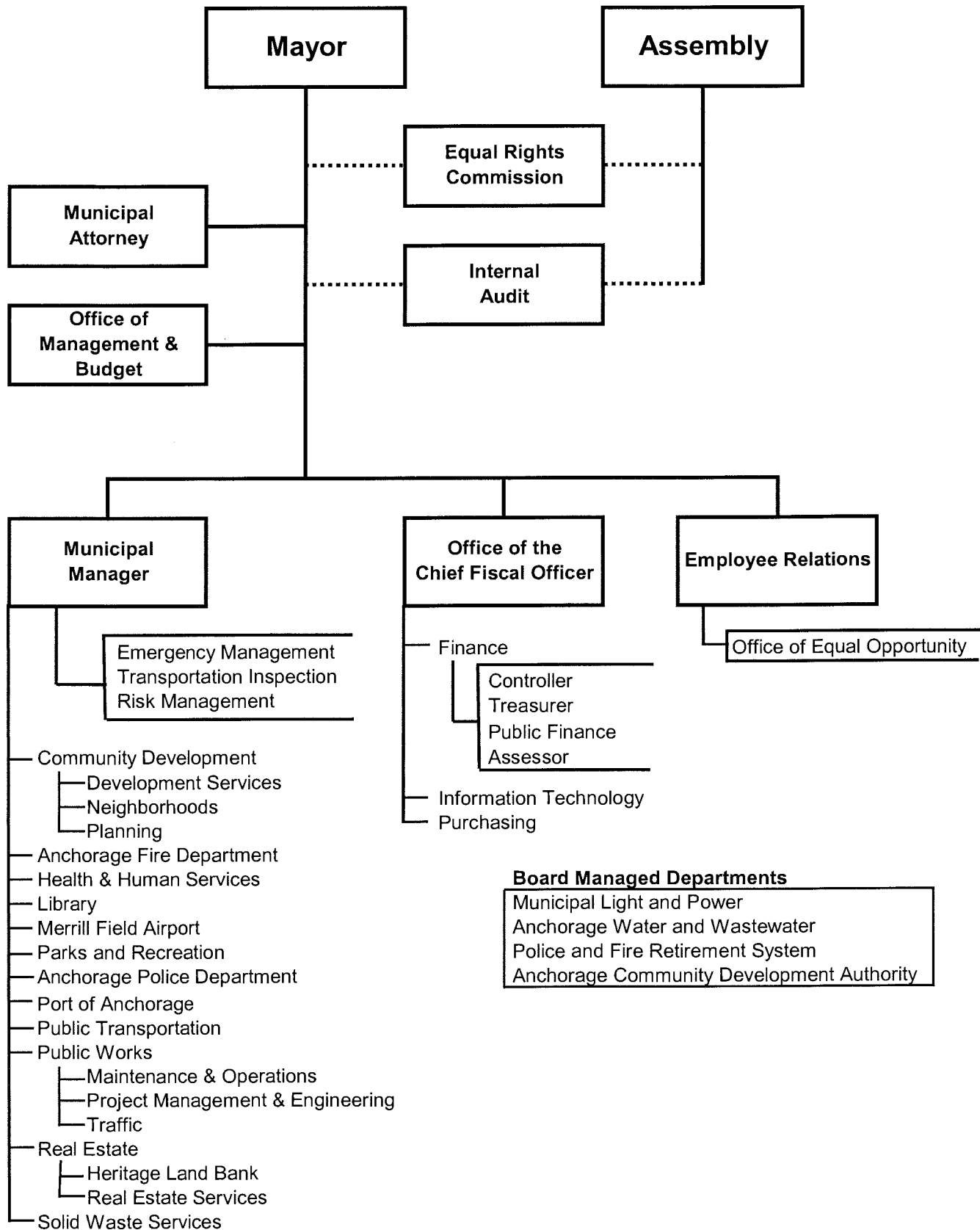
A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director



MOA - Organization Chart

as of December 31, 2010



MUNICIPALITY OF ANCHORAGE

2010

PRINCIPAL OFFICIALS

ASSEMBLY

The legislative power of Anchorage is vested in an eleven member elected assembly. The Assembly, by Charter, is required to meet twice each month. The body meets on Tuesdays in the Assembly Chambers at 3600 Denali Street (Z.J. Loussac Library). Numerous special meetings and work sessions are scheduled throughout the year. At December 31, 2010, the following citizens were elected to serve on the Assembly.

Dick Traini, Chair

Chris Birch	Harriet Drummond
Patrick Flynn, Vice Chair	Elvi Gray-Jackson
Mike Gutierrez	Ernie Hall
Paul Honeman	Jennifer Johnston
Debbie Ossiander	Bill Starr

Barbara Gruenstein, Municipal Clerk

ADMINISTRATION

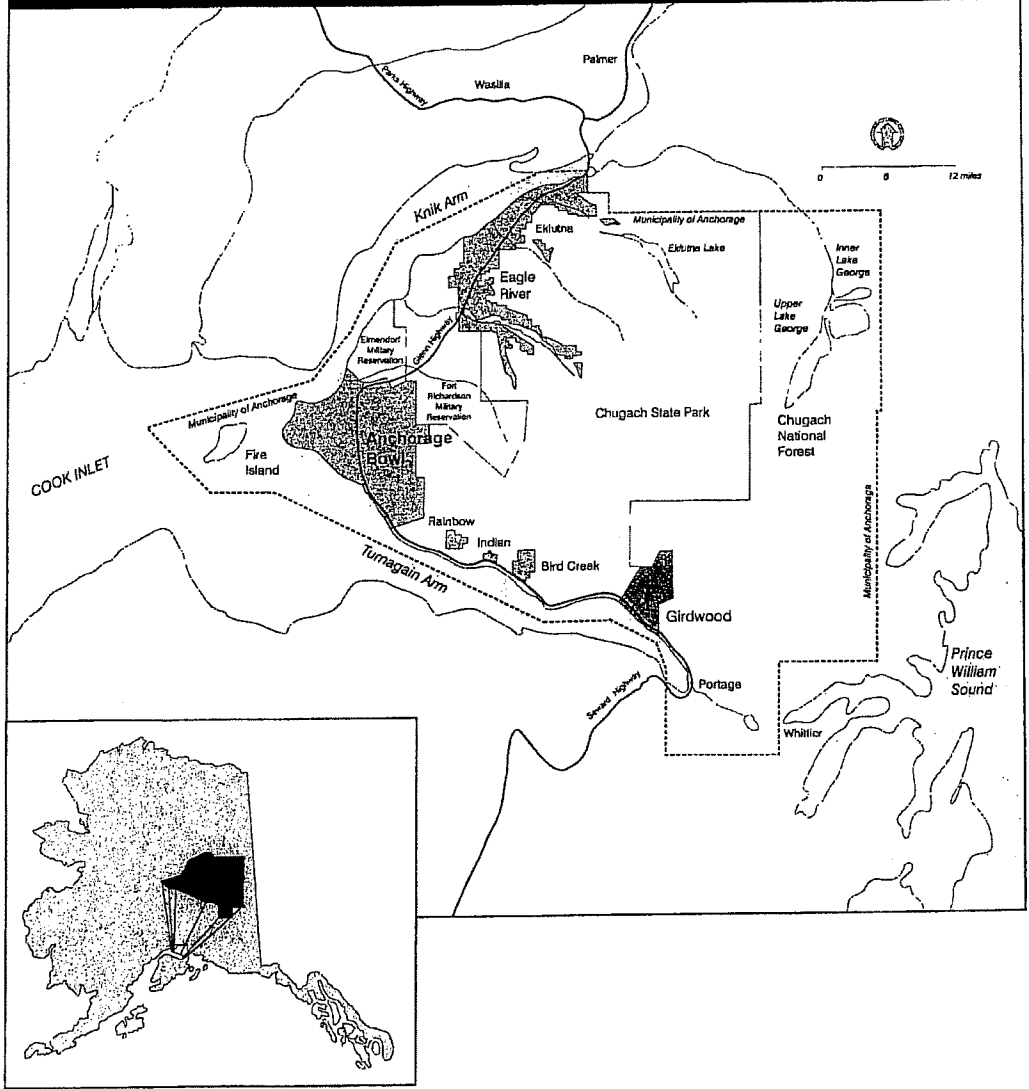
Daniel A. Sullivan, Mayor

George Vakalis, Municipal Manager

Dennis Wheeler, Municipal Attorney

Lucinda Mahoney, CFO

Municipality of Anchorage Vicinity Map



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